

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

EAST TAWAS HOUSING COMMISSION

Financial Statements

December 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
East Tawas Housing Commission
304 West Bay Street
East Tawas, Michigan 48730

Independent Auditor's Report

I have audited the Business Type Activities of the East Tawas Housing Commission as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Tawas Housing Commission as of December 31, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

February 22, 2006

This discussion and analysis of the East Tawas Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 44,570	\$ 38,032
Capital Projects Funds	56,959	34,241
Section 8 New Construction	156,016	162,609

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 40,182	\$ 50,755	(10,573)
Accounts Receivable	25,638	6,681	18,957
Investments			
(Restricted/Unrestricted)	38,504	37,634	870
Prepaid Expenses	30,536	35,400	(4,864)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Fixed Assets, prior to			
Depreciation	\$ 3,179,794	\$ 3,128,190	\$ 51,604
Total Liabilities	528,584	685,406	(156,822)
Net Assets	1,126,545	1,055,761	70,784

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	\$ 253,064	\$ 245,486	\$ 7,578
HUD Grants	257,545	234,882	22,663

Expenses:

Administrative	84,232	100,690	(16,458)
Tenant Services	1,260	1,358	(98)
Utilities	80,347	79,123	1,224
Maintenance & Operations	115,138	95,997	19,141
General Expenses	43,593	39,391	4,202
Depreciation Expense	101,465	99,898	1,567

The Commission's cash position decreased during the year, accounts receivable-HUD increased, our investments remained unchanged; our fixed assets before depreciation increased, total liabilities decreased, and Net Assets increased. HUD grants remained constant, administrative expenses decreased, maintenance increased, other expenses had unremarkable dollar changes.

Our cash position decreased by \$ 10,573, and we decreased our liabilities by \$ 156,822, this was a result of a net profit before depreciation of \$ 172,249. Our fixed assets before depreciation increased \$ 51,604 as a result of renovating kitchens including cabinets. Net Assets increased by the Net Profit amount of \$ 70,784.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	41	41
Section 8 New Construction	44	44

General Fund Budgetary Highlights

The Commission approved an annual budget on May 17, 2005 for December 31, 2005, and amended the budget January 17, 2006. The amended budget included the following significant changes:

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Difference</u>
Tenant Rents	\$ 241,200	\$ 249,550	\$ 8,350
General Expenses	31,930	65,730	33,800
HUD Subsidies	95,360	208,080	112,720
Net Income (Loss)	(2,460)	97,400	99,860

We revised our tenant rent income to more closely reflect the actual income; the original budget failed to include interest expense, therefore the revised budget included interest expense of \$ 31,560; HUD subsidies originally were budgeted based on known information which only included 6 months, once the actual subsidies had been announced, we adjusted the budget accordingly. The net result of the above increased our budgeted profit \$ 99,860.

Entity Wide Capital Assets

The fixed assets increased \$ 51,604 prior to depreciation. The additions included kitchen renovations to approximately 15 units; the total cost for the improvements were paid for out of our 2005 Capital Fund Program.

Commission's Position

The Commission plans to use the 2005 and 2006 capital funds for kitchen cabinet replacements in the Low Rent Program dwelling units. Improvements to the Section 8 New Construction units will be funded out of replacement funds within that program.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Janell Reed, Executive Director
304 W. Bay St.
East Tawas, Michigan 48730

EAST TAWAS HOUSING COMMISSION
Statement of Net Assets
December 31, 2005

ASSETS

C-3087

CURRENT ASSETS

Cash	\$	40,182	
Accounts Receivable		2	
Accounts Receivable- Other		25,636	
Investments		38,504	
Prepaid Expenses		<u>30,536</u>	
Total Current Assets	\$		134,860

NON CURRENT ASSETS

Land	\$	205,892	
Buildings		2,888,554	
Furniture, Equipment- Dwellings		33,682	
Furniture, Equipment- Administrative		51,666	
Accumulated Depreciation		<u>(1,659,525)</u>	
Total Non Current Assets			<u>1,520,269</u>

TOTAL ASSETS \$ 1,655,129

EAST TAWAS HOUSING COMMISSION
Statements of Net Assets
December 31, 2005

LIABILITIES

C-3087

CURRENT LIABILITIES

Accounts Payable	\$	4,718	
Accrued Wages & Payroll Taxes		2,274	
Accrued Interest Payable		3,160	
Accrued Compensated Absences		5,155	
Accounts Payable-Other Governments		17,075	
Tenants Security Deposit		17,464	
Deferred Revenue		1,008	
Current Portion-Long Term Debt		<u>110,000</u>	
<u>Total Current Liabilities</u>	\$		160,854

NON CURRENT LIABILITIES

Long Term Debt, net of current portion	\$	355,000	
Accrued Compensation- non current		<u>12,730</u>	
<u>Total Non Current Liabilities</u>			<u>367,730</u>
<u>Total Liabilities</u>	\$		528,584

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,055,269	
Unrestricted Net Assets		<u>71,276</u>	
<u>Total Net Assets</u>			<u>1,126,545</u>

<u>TOTAL LIABILITIES & NET ASSETS</u>	\$		<u>1,655,129</u>
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The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended December 31, 2005

REVENUE

Tenant Rental Revenue	\$ 250,411	
Tenant Revenue-Other	2,653	
HUD Grants	205,426	
Interest Income	1,669	
Other Income	<u>6,999</u>	
<u>Total Revenue</u>		\$ 467,158

EXPENSES

Administrative	\$ 84,232	
Tenant Services	1,260	
Utility Expenses	80,347	
Ordinary Maintenance	115,138	
General Expenses	<u>43,593</u>	
<u>Total Expenses</u>		<u>324,570</u>

<u>Excess (Deficiency) of Revenues over Expenses</u>	\$ 142,588
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OTHER SOURCES & (USES)

Interest Expense	\$ (22,458)	
Depreciation Expenses	<u>(101,465)</u>	
<u>Total Other Sources (Uses)</u>		(123,923)

<u>CAPITAL CONTRIBUTIONS</u>	\$ <u>52,119</u>
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<u>Change in Net Assets</u>	\$ 70,784
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Total Net Assets- Beginning	<u>1,055,761</u>
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Total Net Assets- Ending	\$ <u>1,126,545</u>
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The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended December 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 241,174
Payments to Suppliers	(250,003)
Payments to Employees	(106,353)
HUD Grants	257,545
Other Receipts (Payments)	<u>8,668</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>151,031</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Principle paid on Debt	\$ (110,000)
Purchases of Capital Assets	<u>(51,604)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(161,604)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$ (10,573)
Balance- Beginning of Year	<u>50,755</u>
Balance- End of Year	\$ <u>40,182</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 70,784
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	101,465
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(18,957)
Investments	(870)
Prepaid Expenses	4,864
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(10,492)
Accrued Liabilities	(2,852)
Compensated Absences	193
Security Deposits	1,385
Deferred Revenue	511
Current Portion-Long Term Debt	<u>5,000</u>
Net Cash Provided by Operating Activities	\$ <u>151,031</u>

The Accompanying Notes are an Integral part of the Financial Statements

EAST TAWAS HOUSING COMMISSION
Notes to Financial Statements
December 31, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

East Tawas Housing Commission, East Tawas, Michigan, (Commission) was created by ordinance of the city of East Tawas. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 102-001	Low rent program	41 units
	New Construction	44 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principles (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements .

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity is recorded at the Catalogue of Federal Domestic Assistance (CFDA) level in the Financial Data Schedule, and are eliminated in the combined financial statements.

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 2,713
Savings Accounts	37,269
Petty Cash	<u>200</u>
Financial Statement Total	\$ <u>40,182</u>

Notes to Financial Statements- continued

Investments:

Savings Accounts \$ 38,504

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 2,713	\$	\$	\$ 2,713	\$ 2,713
Petty Cash	200			200	200
Savings Account	37,269			37,269	37,269
Total Cash	<u>\$ 40,182</u>	<u>\$</u>	<u>\$</u>	<u>\$ 40,182</u>	<u>\$ 40,182</u>

	Categories			Carrying Amount	Market Value
	1	2	3		
Investments:					
Savings Account	\$ 38,504		\$	\$ 38,504	\$ 38,504
Total Cash	<u>\$ 38,504</u>	<u>\$</u>	<u>\$</u>	<u>\$ 38,504</u>	<u>\$ 38,504</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	Beginning of Year	Additions	Deletions	End of Year
Land	\$ 205,892	\$	\$	\$ 205,892
Buildings	2,346,151	545,253	2,850	2,888,554
Furniture & Equipment-Dwellings	33,347	335		33,682
Furniture & Equipment-Admin	50,091	1,575		51,666
Leasehold Improvements	<u>492,709</u>	<u></u>	<u>492,709</u>	<u>0</u>
	<u>\$ 3,128,190</u>	<u>\$ 544,313</u>	<u>\$ 492,709</u>	<u>\$ 3,179,794</u>
Less Accumulated Depreciation	<u>1,560,910</u>	<u>101,465</u>	<u>2,850</u>	<u>1,659,525</u>
	<u>\$ 1,567,280</u>	<u>\$ 442,848</u>	<u>\$ 489,859</u>	<u>\$ 1,520,269</u>

Notes to Financial Statements- continued

Note 4: Prepaid Expenses.

Prepaid Expenses consist of the following:

Unamortized Loan Origination Fees (Note 5)	\$ 28,300
Prepaid Insurance	<u>2,236</u>
	\$ <u>30,536</u>

Note 5: Fixed Liabilities:

The financing of the Commission consists of the following:

Bonds	\$ 465,000
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1998 General Obligation Unlimited Tax Refunding Bonds (Section 8 Senior Citizens Housing), interest rate ranging between 3.65% to 4.15%, payable serially until 2009.

The following represents the annual principle & interest obligations:

	<u>Bonds Payable</u>
December 31, 2006	\$ 126,058
December 31, 2007	126,758
December 31, 2008	124,950
December 31, 2009	127,440
December 31, 2010	124,769

Due to the unique regulatory constraints of the debt it is impracticable to estimate the fair value of debt.

In addition to the aforementioned debt, a prepaid bond refinancing was charged to other assets; the charge is being written off using the straight line method at a rate of \$ 7,100 per year. The following represents the activity:

Prepaid bond refinancing paid at closing	\$ 90,000
Amortized prior to beginning of year	<u>(68,800)</u>
Balance at beginning of year	\$ 21,200
Annual Amortization	<u>(7,100)</u>
Balance at end of year	\$ <u>28,300</u>

Note 6: Pension Plan

The Commission participates in the City of East Tawas Defined Contribution Pension Plan. All eligible employees have 6% of their annual salary contributed to the plan by the Commission. Actuarial and statistical data are reported under a separate report prepared by the City.

Notes to Financial Statements- continued

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 4,510,813
General Liability	1,000,000
Dishonesty Bond	3,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principles of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

East Tawas Housing Commission

31-Dec-05

MI102

Combining Balance Sheet		Low Rent 14.850	Sec 8 New Construction Program	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	30,935	9,247	-	40,182
112	Cash - restricted - modernization and developmen	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	30,935	9,247	-	40,182
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects			6,604	6,604
122	Accounts receivable - HUD other projects	18,570	-	-	18,570
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous				-
126	Accounts receivable- tenants - dwelling rents	-	2		2
126.1	Allowance for doubtful accounts - dwelling rents				-
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable	287	175		462
120	Total receivables, net of allowances for doubtful accounts	18,857	177	6,604	25,638
	Current investments				-
131	Investments - unrestricted	30,011	8,493		38,504
132	Investments - restricted				-
142	Prepaid expenses and other assets	1,118	29,418		30,536
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	41,862	-	-	41,862
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	122,783	47,335	6,604	176,722
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	158,460	46,240	1,192	205,892
162	Buildings	1,198,237	1,607,793	82,524	2,888,554
163	Furniture, equipment & machinery - dwelling	33,347	335	-	33,682
164	Furniture, equipment & machinery - administrative	40,651	2,764	8,251	51,666
165	Leasehold improvements	-	-	-	-
166	Accumulated depreciation	(827,737)	(822,693)	(9,095)	(1,659,525)
160	Total fixed assets, net of accumulated depreciation	602,958	834,439	82,872	1,520,269
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	602,958	834,439	82,872	1,520,269
190	TOTAL ASSETS	725,741	881,774	89,476	1,696,991

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	2,220	2,498		4,718
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	1,137	1,137		2,274
322	Accrued compensated absences	2,577	2,578		5,155
324	Accrued contingency liability				-
325	Accrued interest payable		3,160		3,160
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	8,978	8,097	-	17,075
341	Tenant security deposits	8,126	9,338		17,464
342	Deferred revenues	153	855		1,008
343	Current portion of Long-Term debt - capital projects		110,000		110,000
344	Current portion of Long-Term debt - operating borrowings		-		-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-			-
347	Inter-program - due to	-	35,258	6,604	41,862
310	TOTAL CURRENT LIABILITIES	23,191	172,921	6,604	202,716
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects		355,000		355,000
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	6,365	6,365		12,730
350	TOTAL NONCURRENT LIABILITIES	6,365	361,365	-	367,730
300	TOTAL LIABILITIES	29,556	534,286	6,604	570,446
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	602,958	369,439	82,872	1,055,269
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	93,227	(21,951)		71,276
513	TOTAL EQUITY	696,185	347,488	82,872	1,126,545
600	TOTAL LIABILITIES AND EQUITY	725,741	881,774	89,476	1,696,991

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East Tawas Housing Commission

31-Dec-05

MI102

		Low Rent 14.850	Sec 8 New Construction Program	Capital Projects Funds 14.872	TOTAL
Combining Income Statement					
Line Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	129,804	120,607		250,411
704	Tenant revenue - other	1,131	1,522		2,653
705	Total tenant revenue	130,935	122,129	-	253,064
706	HUD PHA grants	44,570	156,016	56,959	257,545
708	Other government grants				-
711	Investment income - unrestricted	1,270	399	-	1,669
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	4,083	2,916	-	6,999
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restricted				-
700	TOTAL REVENUE	180,858	281,460	56,959	519,277
	EXPENSES:				
	Administrative				
911	Administrative salaries	25,587	25,587	-	51,174
912	Auditing fees	1,100	1,100		2,200
913	Outside management fees				-
914	Compensated absences	246	(54)		192
915	Employee benefit contributions- administrative	4,381	4,463	-	8,844
916	Other operating- administrative	11,353	10,469	-	21,822
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	774	486		1,260
	Utilities				
931	Water	7,080	6,907		13,987
932	Electricity	14,059	15,016		29,075
933	Gas	19,246	18,039		37,285
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	28,327	26,852		55,179
942	Ordinary maintenance and operations - materials & other	10,718	8,132	-	18,850
943	Ordinary maintenance and operations - contract costs	7,591	6,915	-	14,506
945	Employee benefit contributions- ordinary maintenance	13,399	13,204		26,603
	Protective services				

EAST TAWAS HOUSING COMMISSION
Status of Prior Audit Findings
December 31, 2005

The prior audit of the East Tawas Housing Commission for the period ended December 31, 2004, did not contained any audit findings or questioned cost.

EAST TAWAS HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3087 Operating Subsidies	\$ <u>44,570</u>
* <u>CFDA 14.182 N/C Section 8 Program</u>	
C-3087 Section 8 Assistance Payments	\$ <u>156,016</u>
<u>CFDA 14.872 Public Housing Capital Fund Program</u>	
C-3087 Capital Fund Program	\$ <u>56,959</u>
	\$ <u>257,545</u>

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 4,510,813
General Liability	1,000,000
Dishonesty Bond	3,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

*Connotes Major Program Category

EAST TAWAS HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
December 31, 2005

Compliance

I have audited the compliance of East Tawas Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. East Tawas Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of East Tawas Housing Commission's management. My responsibility is to express an opinion on East Tawas Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Tawas Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of East Tawas Housing Commission's compliance with those requirements.

In my opinion, East Tawas Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

The management of East Tawas Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered East Tawas Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

February 22, 2006

EAST TAWAS HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
December 31, 2005

I have audited the financial statements of East Tawas Housing Commission, East Tawas, Michigan, as of and for the year ended December 31, 2005, and have issued my report thereon dated February 22, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether East Tawas Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered East Tawas Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect East Tawas Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

February 22, 2006

EAST TAWAS HOUSING COMMISSION
Schedule of Findings and Questioned Cost
December 31, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Section 8 New Construction		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Reportable condition(s) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Reportable condition(s) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Section 8 New Construction	No	None	N/A
Capital Fund Project	No	None	N/A